

Message Text

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16

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SECSTATE WASHDC 4415

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PASS TREASURY UNDERSECRETARY YEO

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: JAPANESE PRESS REPORTS ON UNDERSECRETARY YEO'S VISIT

1. MORNING EDITIONS OCT 29 OF TWO JAPANESE LANGUAGE AND ONE ENGLISH LANGUAGE NEWSPAPERS CARRIED LENGTHY REPORTS OF VISIT, WHICH ARE TRANSMITTED BELOW IN THEIR ENTIRETY.

2. THE NIHON KEIZAI FRONTPAGED A REPORT, UNDER THE CAPTIONS "US ATTITUDE TOWARD 'CURRENCY' FLEXIBLE; UNDER SECRETARY OF TREASURY YEO HOLDS TALKS WITH FINANCE MINISTRY LEADER." THE REPORT SAID: "US UNDER SECRETARY OF THE TREASURY YEO, WHO IS NOW VISITING JAPAN, HELD TALKS WITH VICE-MINISTER FOR INTERNATIONAL AFFAIRS YOSHIDA, INTERNATIONAL FINANCING BUREAU DIRECTOR GENERAL FUJIOKA, AND OTHER FINANCE MINISTRY LEADERS AT THE FINANCE MINISTRY, FROM AFTER 10:00 A.M. ON THE 28TH UNTIL AFTER THAT NOON, AND EXCHANGED VIEWS MAINLY ON THE INTERNATIONAL CURRENCY PROBLEM. THE TALKS WERE HELD TO COORDINATE JAPANESE AND US VIEWS IN ADVANCE, IN PREPARATION FOR THE FORTHCOMING MAIN ADVANCED NATIONS SUMMIT CONFERENCE AND THE IMF PROVISIONAL COMMITTEE MEETING

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TO BE HELD IN JAMAICA NEXT JANUARY. THE TWO COUNTRIES

AGREED TO CONDUCT CLOSE CONSULTATIONS, IN ORDER TO SECURE FINAL AGREEMENT ON THE INTERNATIONAL CURRENCY PROBLEM AT THE JAMAICA CONFERENCE. THE TALKS, HELD THAT DAY, WERE REGARDED AS UNOFFICIAL TALKS, AND THE CONTENTS THEREOF HAVE NOT BEEN CLARIFIED. HOWEVER, ACCORDING TO A FINANCE MINISTRY SOURCE, AT THE TALKS, SUCH PROBLEMS AS THE MOVES OF THE US AND JAPANESE ECONOMIES, REVISION OF THE IMF AGREEMENT, IMF TRUST FUNDS, AND AN INCREASE IN THE SECOND WORLD BANK FUNDS WERE TAKEN UP, AND A FREE EXCHANGE OF VIEWS WAS CARRIED OUT. IN CONNECTION WITH THE MOVES OF THE US ECONOMY, UNDER SECRETARY YEO STATED 'IT IS RECOVERING SMOOTHLY FROM ITS DEPRESSION, BUT THE PEOPLE FEAR THAT INFLATION MAY BE RE-KINDLED.' SO SAYING, HE EMPHASIZED THAT HE IS STRENGTHENING HIS SENSE OF GUARDNESS AGAINST INFLATION. AS REGARDS THE FOREIGN EXCHANGE RATE SYSTEM, OVER WHICH THERE IS A CONFLICT OF ASSERTIONS BETWEEN THE US AND FRANCE UNDER SECRETARY YEO IS SAID TO HAVE SHOWN A FLEXIBLE ATTITUDE. THEREFORE, THE SAME FINANCE MINISTRY SOURCE THINKS THAT THERE IS ALSO THE POSSIBILITY THAT AT THE JAMAICA CONFERENCE, A COMPROMISE WILL BE REACHED BETWEEN THE US AND FRANCE. MOREOVER, AGREEMENT WAS REACHED ON THE FOLLOWING POINTS: (1) ON THE GOLD PROBLEM, ON WHICH GENERAL AGREEMENT HAS BEEN REACHED AT THE IMF, THE TWO COUNTRIES WILL CONTINUE CONSULTATIONS; AND (2) THE LARGE-SCALE INCREASING OF THE SECOND WORLD BANK AND INTERNATIONAL FINANCING CORPORATION FUNDS WILL BE DIFFICULT, BECAUSE THE FINANCIAL SITUATION IS DIFFICULT."

3. TOKYO SHIMBUN CARRIED A PAGE-THREE REPORT WITH THE CAPTIONS READING: "CLOSE CONTACTS ON CURRENCIES URGED; UNDER SECRETARY OF TREASURY YEO REACHES AGREEMENT WITH FINANCE MINISTRY LEADERS." THE REPORT SAID: "US UNDER SECRETARY OF THE TREASURY YEO, NOW VISITING JAPAN, VISITED THE FINANCE MINISTRY OF THE 28TH, AND EXCHANGED VIEWS WITH ADMINISTRATIVE VICE MINISTER TAKEUCHI, VICE MINISTER YOSHIDA FOR INTERNATIONAL FINANCIAL AFFAIRS AND OTHER MINISTRY LEADERS, ON JAPAN'S AND AMERICA'S ECONOMIC SITUATIONS AND INTERNATIONAL PAYMENTS BALANCES. BESIDES THESE, THEY HELD TALKS ON THE EXCHANGE-RATE

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SYSTEM AND OTHER PROBLEMS, WHICH HAVE BEEN PENDING PROBLEMS AT THE IMF. VICE MINISTER YOSHIDA FOR INTERNATIONAL FINANCIAL AFFAIRS, AT A PRESS CONFERENCE AFTER THE TALKS, SAID: 'CONCERNING THE SIX-NATION ECONOMIC SUMMIT CONFERENCE TO BE HELD IN FRANCE IN THE MIDDLE OF NOVEMBER, (FINANCIAL OFFICIALS) ARE NOT IN A POSITION, WHERE THEY WILL BE INVOLVED IN THAT CONFERENCE VERY MUCH. THEREFORE, THIS WAS NOT DISCUSSED SO EX-

TENSIVELY.' HOWEVER, IT SEEMS THAT AGREEMENT WAS REACHED AT THE TALKS, ON FRANKLY CLARIFYING MUTUAL OPINIONS ON THE CURRENCY PROBLEM, AND ON ESTABLISHING STILL CLOSER CONTACTS TOWARD THE SCHEDULED SUMMIT CONFERENCE. CONCERNING THE PRESENT ECONOMIC SITUATION OF THE U.S., UNDER SECRETARY YEO STRESSED THAT THE RECOVERY FROM THE DEPRESSION IS PROGRESSING; THAT THE SITUATION IS DIFFERENT FROM THE PROCESS OF THE RECOVERY OF BUSINESS IN THE PAST, AND THAT THE AMERICAN PEOPLE IN GENERAL ARE TAKING A VERY GUARDED POSTURE. IT IS SLATED THAT THE SAME UNDER SECRETARY WILL CONFER WITH FINANCE MINISTER OHIRA ON THE MORNING OF THE 29TH, AND THAT HE WILL LEAVE HERE ON THE MORNING OF THE SAME DAY.

4, JAPAN TIMES HEADLINE READ: "YE AEKEUCHI TALK ON COMING ECONOMIC MEET." "EDWIN H. YEO, U.S. UNDERSECRETARY OF TREASURY, TUESDAY EXCHANGED VIEWS WITH FINANCE VICE MINISTER MICHIO TAKEUCHI AND OTHER SENIOR OFFICIALS ON WORLD MONETARY PROBLEMS. THEY AGREED TO KEEP IN CLOSE TOUCH ON THE ISSUES AS THE SIX-NATION ECONOMIC SUMMIT NEXT MONTH DRAWS NEARER. ACCORDING TO MINISTRY OFFICIALS, THEY ALSO EXCHANGED VIEWS ON THE TWO COUNTRIES' ECONOMIC SITUATIONS AND INTERNATIONAL BALANCE OF PAYMENTS. YEO NOTED THAT THE U.S.' ECONOMIC RECOVERY WAS IN PROGRESS BUT THAT THE AMERICAN PEOPLE ARE CAUTIOUS ABOUT REKINDLING INFLATION. HE WILL CONFER WITH FINANCE MINISTER MASAYOSHI OHIRA THIS MORNING ON THE TWO COUNTRIES' MONETARY POLICIES IN RELATION TO THE ECONOMIC SUMMIT AND AN INTERIM COMMITTEE MEETING OF THE INTERNATIONAL MONETARY FUND (IMF) SCHEDULED FOR JAMAICA IN JANUARY. YEO, WHO ARRIVED HERE TUESDAY, WILL LEAVE FOR HOME TODAY AFTER MEETING WITH OHIRA AND OFFICIALS OF THE BANK OF JAPAN.

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